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EE DRAFT

1/23/57

General Policy

1. The continued threat to the security of the free world posed by the Sino-Soviet bloc warrants the application against that Bloc of such economic defense measures by the U.S. and by the free world as will retard the growth of the war potential of the Bloc and reduce its unity.
2. The economic defense program should be framed and administered with full recognition of the fact that the economic defense system of the free world is part of the larger system of military and political alliances and, like them, depends upon the cooperative efforts of and mutual sacrifices by\* the free nations. The United States should support the existing free world collective arrangements in the field of trade controls\*. Accordingly, in determining the economic defense measures which the United States should adopt and those to be urged on other nations, the impact upon the existing system of economic defense as a whole, and upon the free world military and political alliances, should be taken into account. Similarly, in multilateral military and political discussions, consideration should be given to the impact of their courses of action upon and support to be derived from the economic defense program.
3. The U.S. should maintain such unilateral controls as will have a significant effect on the growth of the military-industrial base of the Sino-Soviet bloc or will effectively support other U.S. policies (e.g. China policy) or fulfill U.S. legislative requirements.
4. The problems posed for our allies by trade controls should be given appropriate weight in determining the controls which the U.S. should advocate that the free world exercise in its economic relations with the Sino-Soviet bloc.

\* All bracketed portions of this paper proposed by the Department of Commerce.  
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5. Political conditions generally, and economic conditions in some individual countries, may make substantial intensification of multilateral controls with respect to the European Soviet bloc impractical for the foreseeable future, in the absence of a marked worsening of international tensions. Extensions or reductions of these controls should be proposed or supported, however, whenever justified by new technology, new intelligence or altered evaluation of the significance of particular imports to the Soviet bloc.

6. The controls should be so applied as to support U.S. policy with respect to encouraging and assisting Bloc satellites to achieve and maintain national self determination and independence.

7. The U.S. should avoid, and seek to have other friendly countries avoid, becoming excessively dependent on the Sino-Soviet bloc as a market or as a source of supply.

8. So long as it is considered to be in the U.S. interest, there should continue to be applied against Communist China\* more severe controls than are applied against the remainder of the Soviet bloc. At such time as it is judged to be in U.S. interest to do so, the controls toward Communist China should be revised.

#### Courses of Action

9. Seek to maintain the existing multilateral security trade control structure and the control measures developed thereunder, making appropriate and timely adjustments in those measures to reflect changes in Bloc vulnerability or to improve cooperation and increase effectiveness.

\* Communist China as used throughout this paper includes North Korea.

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9. Seek through effective leadership to reach a clearer and firmer common understanding of the control objectives and criteria which will maintain an effective multilateral security trade control structure and program; and to make appropriate and timely adjustments in those measures to reflect changes in bloc vulnerability or to improve cooperation and increase effectiveness.<sup>7</sup>

10. Seek to maintain and, as necessary, extend the bilateral arrangements with other free world countries to obtain support for multilaterally agreed controls.

11. Maintain toward the European Soviet bloc U.S. export controls over multilaterally agreed items and over such other materials, equipment, technology and services as can be so unilaterally controlled by the U.S. as to achieve a worthwhile adverse impact on the military-industrial activity of the European Soviet bloc, or can effectively serve other U.S. policy objectives judged by the U.S. control authorities to warrant the use of unilateral controls; and take all appropriate measures as will effectively enforce these controls and prevent their frustration.

12. Approve, as a general rule, for shipment from the U.S. to the European Soviet bloc, commodities not controlled under paragraph 11 above, and, where appropriate, remove the requirement of specific licenses for such shipments to the entire European Soviet bloc.

13. Make appropriate and timely unilateral adjustments and seek appropriate multilateral adjustment in the scope and severity of controls maintained toward selected satellites of the USSR, as feasible, to encourage and support progress toward national self determination and independence.

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14. Enhance the utility of evaluated intelligence pertaining to economic defense problems.

15. Seek the adoption of effective measures to enforce the agreed scope and severity of the multilateral controls and increase the scope and effectiveness of multilateral exchanges and cooperation in the enforcement field.

16. Seek a close association with NATO and other security alliances and, where feasible, to obtain their consideration and advice on appropriate economic security problems.

17. Seek agreement to utilize the multilateral control structure for studies and exchanges of views regarding all Sino-Soviet trade practices which appear to be inimical to the free world.

18. Encourage free world countries to resist Sino-Soviet economic penetration and to avoid excessive dependence on trade with the Sino-Soviet bloc; foster the development of necessary markets and sources of supply within the free world.

19. Administer current U.S. programs, such as economic development, military and other governmental procurement, defense support, stockpiling, disposal of surplus goods and properties, and similar activities, in such a way as to take into appropriate account the objectives of the economic defense program.

20. Maintain the current level of U.S. unilateral export, import and financial controls applied against Communist China [only so long as it is in the U.S. interest to do so].

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21. \*Seek to retain a differential multilateral control toward Communist China which continues to embargo the items currently under quantitative control (International List II - 25 items) and surveillance (International List III - 63 items) toward the European Soviet bloc. In addition, seek to obtain control toward the Sino-Soviet bloc of items selected from the current China differential items where a significant security impact can be justified 1/ and agree to decontrol the balance of those items.

22. Take all appropriate actions effectively to enforce these controls toward Communist China and to prevent their frustration.

\* State Department reserves on this paragraph.

1/ On grounds which may differ from COCOM criteria.

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